

## **DAS-ITE Costing Software Needs**

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The mission statement of the state of Iowa's Department of Administrative Services (DAS) is to provide comprehensive leadership and management for support of governmental operations. The DAS strategic plan states that DAS "believes the department will have the greatest impact on decreasing the cost of government by 15%." The federal government recommends the fee for service approach as opposed to the appropriation model for government agencies that received federal funding. The Information Technology Enterprise (ITE) and the office of the Chief Information Officer (CIO) have been further tasked with consolidating all of the state of Iowa's information technology infrastructure. The most recent ITE mission can be summarized as "building a broker model for DAS-ITE that helps agencies find the best, fastest, and cheapest IT solutions whether inside or outside of government."

Based on the requirements and recommendations set forth in the federal OMB circular, the mission of DAS and with the consolidation effort with which ITE has been tasked, ITE and DAS management has determined that a costing plan is needed to effectively and fairly price services that are provided to all customers that are receiving and purchasing the services that DAS provides. The costing system should ultimately provide a mechanism to allow each enterprise within DAS to determine the services that are operating efficiently and effectively, as well as determine those services that are operating less efficiently. Additionally, the system should provide timely management data to help make the determination if a re-pricing exercise should be done and allow for less over or under recovery during the fiscal year. A further consideration is that cross subsidation is not an allowable practice, per federal government guidelines. Cross subsidation is defined as 'allowing one service to over recover to cover another service that is under recovering'.

To date, ITE is the one enterprise in DAS which has undergone a complete costing exercise. A few years ago, IBM built a pricing model and a structure to produce management reports that used the ABMS software solution. There are several issues with the solution that was provided; however the most prominent issue is that the current operating environment has rendered the solution obsolete. Due to the obsolescence and shortcomings of the tools that are in place, a different process must be considered.

Several changes have occurred over the past several years, not the least of which is the cloud computing environment. Using the definition of cloud computing, as provided by Wikipedia, "cloud computing is the use of computing resources (hardware and software) that are delivered as a service over a network." While many types of public cloud computing are available, the type of cloud computing that is of relevance to the ITE financial management reporting needs is software as a service (SaaS). SaaS is the service option that provides access to application software and databases over a network versus the model which demands that software be installed on state owned servers

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and maintained by state employees. The transfer of risk of upgrading software and hardware and maintaining an adequate employee base is transferred from the state to the SaaS provider. The cloud based option comes with a financial risk, as the subscription rate is dependent on the current annual volume of financial information being analyzed by the tool. This particular risk has a limited timeframe, as the subscription is for one year, rather than for the extended period of time that is usually associated with hardware leases, software leases and employee costs.

The following statements highlight the needs that a total business management software solution must address:

- Needs to be able to bring many different sources of data together.
- Needs to take the data, without any need to first ‘clean’ the data.
- The ability to build management dashboards.
- Must be an ‘out of the box’ solution.
- Reports must be both pre-built, but also allow the user to build reports, as necessary.
- Begin with IT spend, but be able to take in other costs and provide reporting for other types of spend, such as general services, human resources, etc.
- Provide a transparent ‘bill of services’, which is viewable and searchable by the customer.
- Provide a means to price services and provide a means to compare cost alternatives.
- Must allow for internal recursive functionality. Prices are based on both internal, indirect allocations based on revenues (which are based on price and usage of each service) and prices of services sold within the IT enterprise (which is based on usage and re-priced services).
- Must be able to produce various financial statements (actual, budget and forecast) with varying underlying data requirements. The software should provide a crosswalk capability that allows for reconciliation capabilities between the various views. Possible Vendors

The total cost for this project is yet to be determined; however, initial estimates for the software package are in excess of \$250,000 per year. This solution will allow DAS-Finance and ITE management to be more efficient and effective in building a transparent reporting package and pricing model, as well as be able to more nimbly respond to over or under pricing situations.